Five-Year Implementation Plan FY 2004/05 to FY 2008/09

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Five-Year Implementation Plan
Sunnyvale Central Core Redevelopment Project

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I. Introduction

Section 33490 of the California Community Redevelopment Law (the "CRL") requires that a redevelopment agency administering a redevelopment plan prepare and adopt a five-year implementation plan for its project areas. The principal goal of the implementation plan is to guide an agency in implementing its redevelopment program to help eliminate blighting influences. In addition, the affordable housing component of the implementation plan provides a mechanism for a redevelopment agency to monitor its progress in meeting both its affordable housing obligations under the CRL and the affordable housing needs of the community. In effect, the implementation plan is a guide, incorporating the goals, objectives and potential programs of an agency for the five-year implementation plan period, while providing flexibility so the agency may adjust to changing circumstances and new opportunities.

This document constitutes the FY 2004/05 through FY 2008/09 Implementation Plan for the Sunnyvale Central Core Redevelopment Project Area (the "Project Area"), which was established in 1975. This Implementation Plan outlines the program of revitalization, economic development, and housing activities of the Redevelopment Agency of the City of Sunnyvale (the "Agency") for FY 2004/05 through FY 2008/09, the required five-year planning period.

A. Organization

Generally, the implementation plan must contain the following information:

- Specific goals and objectives for the next five years for both housing and non-housing activities.
- Specific programs and expenditures for the next five years for both housing and non-housing activities.
- An explanation of how the goals, objectives, programs and expenditures will assist in the elimination of blight and in meeting affordable housing obligations.

Chapter I provides a basic discussion of the CRL requirements, Project Area description, Agency accomplishments to date, and goals and objectives for the Project Area. Chapter II summarizes the proposed non-housing activities and related revenues and expenditures for the five years, and a description of the blighting conditions and how they will be alleviated by the activities. Chapter III addresses housing activities and expenditures, and tracks Agency progress in meeting its affordable housing obligations.

B. Interpretation

The Implementation Plan is intended to provide general guidance for the implementation of the Agency's programs and activities. The Agency expects that particular constraints and opportunities, not fully predictable at this time, will arise in the course of undertaking the projects and activities described in this Implementation Plan over the next five years. Therefore, the Agency intends to use and interpret this Implementation Plan as a flexible guide. The Agency acknowledges that specific projects and activities as actually implemented over the next five years may vary in their precise timing, location, cost, expenditure, scope and content from those set forth in this document.

C. Description of the Redevelopment Plan and Project Area

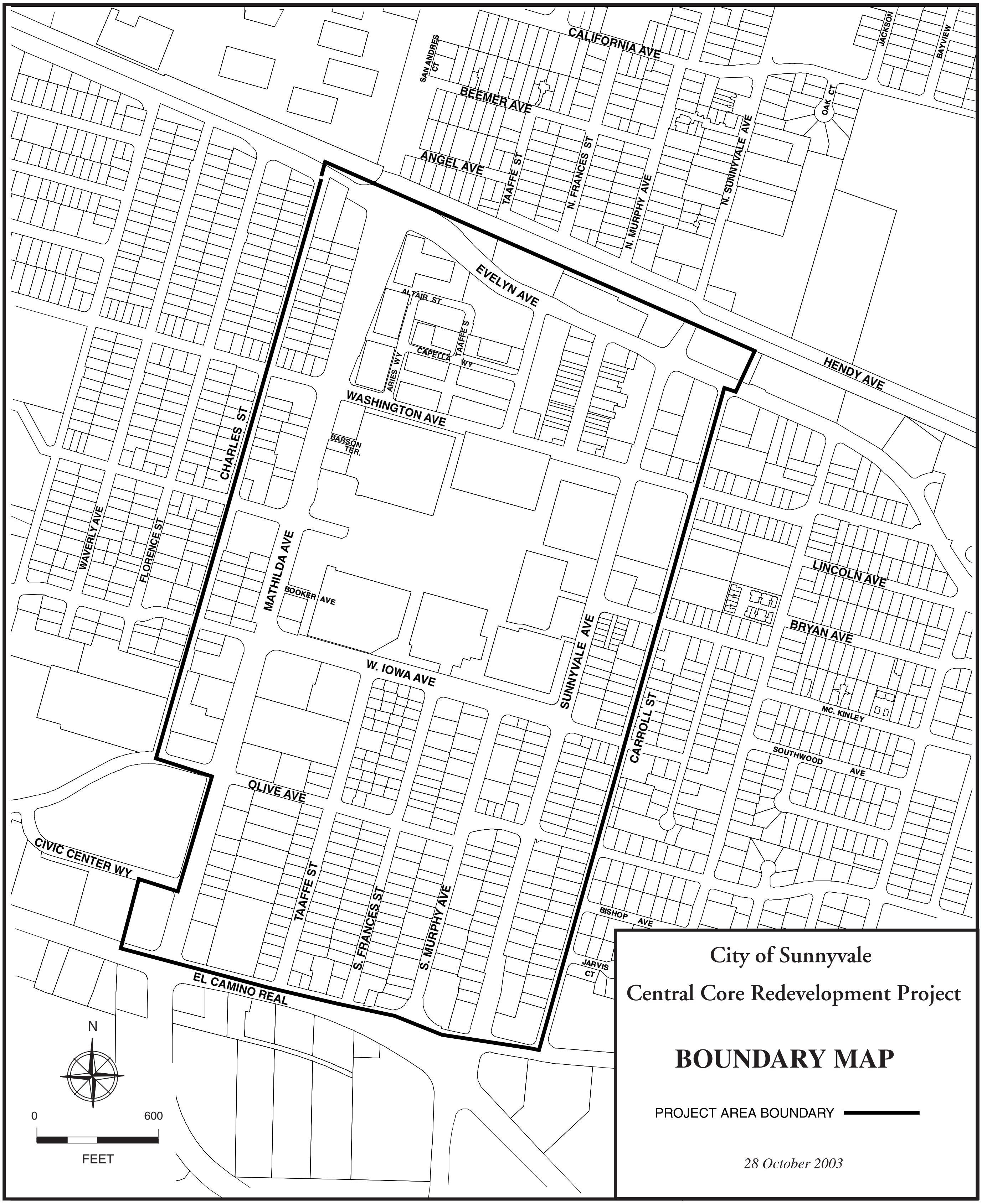
The Redevelopment Plan for the Central Core Redevelopment Project (as amended, the "Redevelopment Plan") was adopted by the Sunnyvale City Council in November 1975. The Sunnyvale Central Core Redevelopment Project Area consists of 184 acres, including the Central Business District. Table I-1 below provides a summary of the time and financial limits of the Redevelopment Plan for the Project Area. The boundaries of the Project Area are shown in Figure I-1.

Table I-1
Summary of Sunnyvale Central Core Redevelopment Plan
Time and Fiscal Limits

	Sunnyvale Central Core Project Area
Background Information	
Total Acres	184
Date of Adoption	11/26/1975
Time Limits	
Incurring Debt	01/01/2004
Plan Effectiveness (Project Activities)	11/26/2015
TI Collection/Repayment of Debt	11/26/2025
Eminent Domain	1/13/2012[a]
Financial Limits	
Tax Increment Cap	$118 million
Bond Limit	None specified

a. Only on non-residential properties in the Project Area, excluding properties on which persons reside.
Source: City of Sunnyvale Redevelopment Agency.

The purpose of establishing the Redevelopment Plan was to eliminate blight and to stimulate private development of the downtown core area. One of the Agency's original activities was to assist in the development of the 750,000 square foot Sunnyvale Town Center shopping mall, which was opened in 1979. The Agency's assistance included land assembly and disposition and financing of necessary off-site improvements. Financing of Project Area activities has included tax allocation bonds, certificates of participation secured by revenue from an Agency-owned parking facility, and other City loans.


City of Sunnyvale
Central Core Redevelopment Project
BOUNDARY MAP
PROJECT AREA BOUNDARY
28 October 2003
N
0
600
FEET
CALIFORNIA AVE
BEEMER AVE
ANGEL AVE
SAN ANDRES CT
TAAFFE ST
N. FRANCES ST
N. MURPHY AVE
N. SUNNYVALE AVE
JACKSON
BAYVIEW
OAK CT
EVELYN AVE
HENDY AVE
ALTAIR ST
TAAFFE S
CAPELLA WY
ARIES WY
WASHINGTON AVE
BARSON TER.
CHARLES ST
WAVERLY AVE
FLORENCE ST
MATHILDA AVE
BOOKER AVE
W. IOWA AVE
SUNNYVALE AVE
CARROLL ST
LINCOLN AVE
BRYAN AVE
MC. KINLEY
SOUTHWOOD AVE
OLIVE AVE
CIVIC CENTER WY
TAAFFE ST
S. FRANCES ST
S. MURPHY AVE
BISHOP AVE
JARVIS CT
EL CAMINO REAL

D. Project Status

For various reasons, including the limitation on and roll-back of property tax rates mandated by Proposition 13 soon after adoption of the Redevelopment Plan, tax increment revenue allocated to the Agency was insufficient to pay the annual debt service on the Agency's Central Core Tax Allocation Bonds (the "TABs") and parking facility Certificates of Participation (the "COPs") until recent years. Consequently, the Agency entered into a Repayment Contract with the City in 1977 (the "1977 City Loan") to repay the City for costs paid on its behalf, plus 8% interest on the unpaid balance. The funds used to repay the City are generated from tax increment revenue, but the City loan obligation is subordinate to Agency debt service payments due on its TABs and COPs. While tax increment revenues in the last few years have been sufficient to meet the Agency's annual debt service, the outstanding balance of the City Loan continues to grow as a result of annual interest costs. In addition, the Agency needed to borrow additional funds from the City in FY 1993/94 (the "1994 City Loan") and FY 2001/02 (the "Plaza Loan") to fund operating and capital costs.

In 1986, the legislature imposed a new statutory obligation on Redevelopment Agencies to set aside 20 percent of the tax increment revenue generated in a Project Area each year in a special fund for the provision of affordable housing (the "Housing Fund"). Agencies that had issued debt secured by tax increment prior to January 1, 1986 and needed all of their tax increment to repay this pre-existing debt were not required by the CRL to make deposits into the Housing Fund through FY 1993/94 if they made appropriate findings. The Agency made the findings under the CRL that exempted it from the obligation to make such Housing Fund deposits through FY 1993/94. Starting in FY 1994/95, the Agency has deferred deposits into its Housing Fund under a separate provision of the CRL that allows deferrals to the extent that tax increment revenue is insufficient to make full deposits due to its pre-1986 debt obligations. Given the Agency's significant pre-1986 debt obligation of $55,685,000, the Agency is projected to defer deposits to the Housing Fund on this basis for many years. The deferred deposits will become an additional debt that the Agency must repay once sufficient tax increment revenue becomes available. As of the beginning of FY 2004/05, the Agency has accumulated a deficit in the Housing Fund of $5,492,253. The outstanding balances, including principal and accrued interest on all of the Agency's debt obligations as of the beginning of FY 2004/05 are as follows:

Table I-2
Outstanding Agency Debt Obligations as of June 30, 2004
(Rounded to Nearest $1000)

	Pre-1986 Debt	Post-1985 Debt	Total Debt
Central Core Tax Allocation Bonds	$7,894,000		$7,894,000
Parking Facility Certificates of Participation	$14,965,000		$14,965,000
1977 City Loan	$32,826,000		$32,826,000
1994 City Loan		$14,104,000	$14,104,000
Plaza Loan from City		$1,787,000	$1,787,000
Total Non-Housing Debt Obligations	$55,685,000	$15,891,000	$71,576,000
Housing Fund Deficit		$5,492,000	$5,492,000
Total Obligations	$55,685,000	$21,383,000	$79,068,000

Source: Sunnyvale Redevelopment Agency

In summary, the Agency's current annual tax increment revenue of about $4 million is now sufficient to pay debt service on the pre-1986 TABs and COPs, but is insufficient to reduce the balance of the 1977 City Loan or to make any current deposits to the Housing Fund (thus incurring an additional Housing Fund deficit that must be repaid later). Furthermore, there is no remaining tax increment revenue for the Agency to pay general administrative costs or to undertake new activities. Any such administrative costs and new activities can only be undertaken with additional monetary advances from the City, the repayment of which will come far in the future, given the Agency's existing obligations and annual tax increment revenue flow.

E. Agency Accomplishments FY 1999/00 – FY 2003/04

The lack of uncommitted revenue received from FY 1999/00 through FY 2003/04 precluded the Agency from formally initiating any large scale redevelopment projects or directly funding any redevelopment activities. The revenues received during this time period were used to meet debt obligations. However, the Agency has continued to facilitate and promote activities in the Project Area that will improve the downtown and alleviate factors that contribute to blight. Agency activities during the previous Implementation Plan period have included the sale of land through a Disposition and Development Agreement for the Mozart development, reinstating eminent domain on non-residential property in the Project Area, and completing the selection of a developer to redesign the Town Center Mall.

F. Overview of Future Activities

While there will be no uncommitted tax increment revenue available to the Agency during the five-year Implementation Plan, the Project Area continues to require public support to achieve the goals of eliminating blight and revitalizing downtown. In 2003, the City Council updated the Downtown Specific Plan (the "Specific Plan"), which sets forth two main goals for the Downtown Commercial Core District: (1) to link the different blocks together into a cohesive downtown core and (2) to create a lively street life on all primary streets. The Specific Plan and Redevelopment Implementation Plan continue to set the context for the downtown area's growth and redevelopment. To continue the Project Area revitalization effort in the manner envisioned by the Specific Plan, the Agency and the City are currently implementing programs envisioned in the Specific Plan. Consequently, the Agency's major activities for the coming five years will be twofold:

1. To meet the Agency's existing financial and administrative obligations, and
2. To work with the City to implement the Specific Plan.

The Project Area continues to need redevelopment attention, particularly the central area surrounding the Town Center Mall. Retail activity at the Town Center Mall declined dramatically in the 1990s and the owners of the mall filed bankruptcy in 2002. The City and the Agency have been working with the court-appointed Receiver and the selected Town Center Mall developer to develop a plan to revitalize the mall and replace the obsolete and deteriorated parking structure. The City Council, on August 17, 2004, approved the demolition of the old Town Center Mall and its replacement with one million square feet of retail space, 292 housing units, 282,000 square feet of office space and more than 5,000 parking spaces. The new development will create a new downtown center with street and pedestrian connections to the Cal Train Station, Murphy Street, Town and Country Village, the adjoining residential neighborhoods and Mathilda Street, one of the City's major thoroughfares. On December 21, 2004, the City approved a Disposition, Development and Owner Participation Agreement with the developer that provides the terms for the redevelopment of the Mall.

G. Five Year Goals and Objectives

The implementation plan provisions of the CRL require the Agency to establish goals and objectives for the Project Area for the five-year planning period. The following major goals and objectives will be pursued by the Agency, which are the same as those for the overall Redevelopment Program:

Goal 1 Meet the Agency's existing financial and administrative obligations.

Objective 1.1 Make all current debt service payments on Tax Allocation Bonds.

Objective 1.2 Make all reimbursements to the City of current year City payments on the Town Center parking garage COPs, and begin to reduce the principal balance of the 1977 City Loan, if possible.

Objective 1.3 Adequately and timely perform all reporting, accounting, and administrative functions imposed by the CRL and prudent governmental practice.

Objective 1.4 Continue to encourage and nurture private investment in commercial developments.

Goal 2 Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.

Objective 2.1 Establish a 24 hour downtown with Class A office buildings around a vibrant retail district with easy parking and public transportation and easy access from a variety of housing types.

Objective 2.2 Continue public/private partnerships in the development of office, retail, housing, and open space facilities.

Objective 2.3 Create a unique shopping, dining, entertainment experience in the downtown, combining new restaurants with small shops, major retail stores, and theatre with easy, available parking and strong pedestrian connections to other parts of the downtown.

Goal 3 Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.

Objective 3.1 Complete priority improvements in phases to civic plaza downtown.

Objective 3.2 Facilitate the redevelopment of the Town Center Mall to provide for an open-air, pedestrian-oriented, retail and residential development.

Objective 3.3 Complete priority streetscape projects to facilitate an attractive pedestrian environment and to promote development on adjacent parcels.

Goal 4 Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.

Objective 4.1 Support an overall parking strategy for downtown that optimizes parking use based on office, retail, and entertainment peaks.

Objective 4.2 Replace existing parking and pursue funding opportunities for additional public parking as needed to support downtown development.

Goal 5 Increase housing opportunities.

Objective 5.1 Maintain the character and density of single-family neighborhoods surrounding the downtown.

Objective 5.2 Encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment, the Town and County area, and transit corridors in or near the downtown.

II. Non-Housing Implementation Plan

This section describes the five-year Non-Housing Redevelopment Program, including a summary of the project and activity descriptions, deficiencies to be corrected, and estimated revenues and expenditures. As they are implemented, the projects and activities may be modified over time to better serve the purposes of redevelopment. The cost estimates are preliminary and subject to refinement as the Redevelopment Program planning and implementation proceed. Some of these projects and activities may not be completed within the next five years of the Redevelopment Program, and thus, related costs may not be incurred in the next five years.

A. Redevelopment Program FY 2004/05 – FY 2008/09

The Agency will undertake projects and activities in the Project Area over the next five years to alleviate blighting conditions and attain the Redevelopment Program goals and objectives. The projects and activities can be categorized into six basic program categories, as described below.

1. Financial and administrative activities to meet existing obligations.

Given the Agency's financial situation, a primary activity for the Implementation Plan period will be to meet its already existing obligations by:

- Making payments on the Central Core Tax Allocation Bonds,
- Reimbursing the City for the City's payment of current debt service on the Town Center parking garage Certificates of Participation, and
- Making payments toward the Agency's other debt obligations, particularly the 1977 City Loan.

2. Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.

The Agency's revitalization activities will focus on establishing the downtown as a center of activity for the community. The Agency negotiated a final Disposition Development and Owner Participation Agreement with a developer for the Town Center Mall to provide a new pedestrian-oriented, mixed-use, open-air mall including affordable housing, replacement and additional parking, and a multiple screen theater.

3. Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.

To establish a unique downtown as contemplated by the Specific Plan, the Agency might assist the City, through non-tax increment resources, in providing needed Project Area infrastructure:

- Traffic mitigation measures within and surrounding the proposed Town Center Mall redevelopment.
- Enhance pedestrian connections, public plazas and parks, including a main plaza in the north of Washington area.
- Reestablish and reconnect McKinley and Murphy Avenues to allow vehicle and pedestrian traffic through the redesigned Town Center area.

- Miscellaneous street improvements, including special sidewalk paving, lighting fixtures, benches, landscaping, landmarks, gateways and wayfinding system. As funds become available and development progresses these features will be added as part of development and part of the City's ongoing infrastructure replacement program.
- Signage program: A comprehensive signage program has begun and will be augmented as projects begin and needs change.

4. Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.

The Agency is undertaking an overall parking strategy to insure that there is adequate parking for the activities envisioned for the downtown. The Agency will also explore non-tax increment funding sources to provide adequate parking to support downtown activities. An adequate amount of accessible and affordable public parking is crucial to the success of downtown. Activities will include:

- Town Center Mathilda Avenue parking structure demolition: Closure of the second level of the structure was ordered on June 2, 2003 by the Building Official because of functional obsolescence and deterioration. Repair costs exceed the value of the structure, and therefore it should be demolished and replaced. The City is obligated to pay for two-thirds of the total demolition cost, estimated at approximately $1,165,000, and the mall developer will be responsible for the remaining portion.
- Town Center Structure Maintenance: The city will continue to maintain the parking structure until the mall redevelopment and parking structure demolition take place.

5. Increase Housing Opportunities.

Housing is also an important component to an economically viable downtown. The goals of the plan are to maintain the character and density of single-family neighborhoods surrounding the downtown and to encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment, the Town and Country area, and transit corridors in or near the downtown.

6. Agency Administration.

The Agency will continue to have various administrative and operational requirements associated with implementing the above projects and activities. These will include program staff, planning functions and legal and other technical assistance.

B. Linkage Between Proposed Redevelopment Program and Elimination of Blighting Influences

An implementation plan must provide an explanation of how the goals, objectives, programs and expenditures for the five-year planning period will serve to eliminate blighting conditions in a project area. The five-year Redevelopment Program as further described herein will continue the process of improving the Project Area and alleviating blighting conditions.

Within the Project Area the following physical conditions continue to be significant: poor site conditions, poor building conditions, and parcels of irregular shape and form. Economic blighting conditions, including impaired investments, commercial vacancies and the underutilization of commercial parcels, continue to inhibit the ability of this area to improve without continuing assistance from the Redevelopment Agency. The economic decline is also evident in underutilization of real estate, the presence of marginal businesses, declining retail sales, and low lease rental rates. The physical decline is evident in the absence of modern real improvements to low lease storefronts and the absence of adequate parking facilities. In particular the Town Center Mall experienced significant declines in business resulting in its owner declaring bankruptcy in 2002. The mall is now completely empty except for two department stores. One of the Mall's main parking structures is physically deteriorated and unsafe.

As a key element of the Redevelopment Program, the Agency and the City are negotiating a Disposition, Development and Owner Participation Agreement (DDOPA) with the selected private developer to redevelop the Town Center Mall and replace the deteriorated parking deck. Other Redevelopment Program activities may include acquisition and assembly of small, underutilized and/or poorly configured parcels of land that would otherwise be inadequate for modern development. The proposed Redevelopment Program would foster economic growth, attract more people to the downtown, and develop more retail by reinvigorating commercial uses. New development will add value to tax rolls, encourage further development, generate demand for Project Area properties and increase property values. The proposed program would also provide an incentive for existing owners and the private sector to reinvest in their underutilized and blighted properties.

The provision of adequate and easily accessible parking will assist in the retention and attraction of businesses within the Project Area. The construction and upgrade of necessary public improvements and facilities will provide improved public health, safety and welfare due to better pedestrian and vehicular traffic circulation and access, and enhanced aesthetics through streetscape design and construction. The proposed parking projects will not only meet the demand generated by new development but will also supply needed parking to the area's deficient inventory.

In summary, these public infrastructure improvements will help stimulate reinvestment and growth in the Project Area. The ability of an area to attract new investors and encourage existing property owners to maintain and reinvest in their properties depends on the quality of the public infrastructure and amenities serving the building stock.

The expected benefits of redevelopment projects include:

- Increased commercial rents and retail sales volumes;
- Owner upgrades to existing properties;
- Increased assessed values from new development;
- Renewed interest in the downtown; and
- Enhanced job growth opportunies.

The work envisioned over the next five years intends to continue programs that have helped create an environment supportive of downtown office and retail development. Through programs that encourage building owners and merchants to rehabilitate and reinvest in their properties, the Agency is directly confronting both the physical and economic blight that still remains.

Due to the Agency's significant outstanding debt obligations, the Agency's primary activity for the five-year Implementation Plan period will be to repay existing debt obligations related to the Agency's Tax Allocation Bonds and Certificates of Participation and the 1977 City Loan. These debts were incurred by the Agency to fund the original public investment in the Town Center Mall, including land assembly and write-down, site preparation, and parking garage construction. The combined public/private effort to develop the Town Center Mall, in turn, eliminated certain blighting conditions in the Project Area identified at the time of adoption of the Redevelopment Plan in 1975. In effect, by continuing to pay debt service costs on the debts incurred in 1977, the Agency is continuing to finance activities that alleviated those original blighting influences and will enable the City to assist in future redevelopment of the Town Center Mall.

The Agency will continue to address remaining blighting influences in the Project Area through its planning activities. These activities include the redevelopment of the Town Center Mall into an open-air, pedestrian-oriented mixed-use center for retail, housing, and entertainment, encouraging the redevelopment of the Town and Country area for housing and retail, provision of increased public parking, a downtown plaza, streetscape improvements, pedestrian linkages and land assembly. These activities will help eliminate blighting conditions including: age, obsolescence, deteriorated structures, economic stagnation resulting in high vacancy rates and low retail sales volumes and the lack of adequate public infrastructure, including lack of traffic circulation improvements and off-street parking.

Table II-1 on the following page provides a matrix summarizing the relationship between proposed goals, objectives, projects and activities and how they will eliminate blight.

C. Five-Year Implementation Plan Revenues

The Agency has two primary potential revenue sources: debt issuance proceeds and annual tax increment revenues. The source and uses of Agency revenues are summarized in Table II-2.

1. Debt Issuance Proceeds

The Agency does not anticipate incurring any new debt during the Five-Year Plan period.

2. Annual Tax Increment Revenues

Tax increment revenues generated in the Project Area during the five-year planning period are projected to be approximately $21 million and are expected to be fully applied to Agency administration, ERAF payments and debt service obligations. Because of the Agency's high level of outstanding debt obligations, almost all tax increment generated revenue will be used to repay these debts during the five-year Implementation Period. The only funds available for Non-Housing projects are those amounts previously reserved in a Capital Projects Fund that were generated from non-tax increment sources. The projected tax increment in the five-year planning period assumes an increase in assessed values from the redevelopment of the Town Center Mall. The available annual tax increment revenues and the uses of these funds are summarized in Table II-2.

Table II-1
Linkage of Five-Year Programs and Activities With Elimination of Blight

Program Categories and Activities	Blighting Conditions				
	Deficient & Deteriorated Buildings	Physically Obsolete Buildings/ Lack of Parking	Deteriorated and/or Inadequate Utilities	Depreciated or Stagnant Property Values/ Economically Obsolete Buildings	Inadequate Public Improvements
Financial and administrative activities to meet existing obligations					
Make payments on the Central Core Tax Allocation Bonds.		●	●	●	●
Reimburse the City for the City's payment of debt service on parking garage Certificates of Participation.		●	●	●	●
Make payments toward the Agency's other debt obligations, particularly the 1977 City Loan.	●	●	●	●	●
Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.					
Finalize negotiations and enter into a DDOPA with the selected developer for the Town Center Mall to provide a new pedestrian-oriented, mixed use, open-air mall including affordable housing, replacement and additional parking and a multiple screen theater.	●	●	●	●	●
Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.					
Traffic mitigation measures within and surrounding the proposed Town Center Mall redevelopment.			●	●	●
Enhance pedestrian connections, public plazas and parks, including a main plaza in the north of Washington area.			●	●	●
Reestablish and reconnect McKinley and Murphy Avenues to allow vehicle and pedestrian traffic flow through the redesigned Town Center area.			●	●	●
Miscellaneous street improvements, including special sidewalk paving, lighting fixtures, benches, landscaping, landmarks, gateways and wayfinding system.			●	●	●
Signage program.			●	●	●
Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.					
Town Center parking structure maintenance.		●	●	●	●
Town Center parking structure demolition.		●	●	●	●
Increase housing opportunities.					
Maintain the character and density of single family neighborhoods surrounding the downtown.	●				
Encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment, the Town and Country area, and transit corridors in or near downtown.	●			●	●

Source: Sunnyvale Redevelopment Agency, Seifel Consulting Inc.

Table II-2
Agency Revenue Available for Non-Housing Redevelopment Activities
FY 2004/05 - FY 2008/09
(Rounded to nearest $1,000)

1	2	3	4	5	6	7	8	9	10
Year	**Net Tax Increment Revenues To Agency**[a]	**Less: Pass-through Payments & Agency Admin.**[b]	**Less: ERAF Payments**[c]	**Less: Housing Set-Aside**	**Less: Non-Housing Debt Obligations**[d]	**Net Tax Increment**	**Other Agency Income**[e]	**Net Debt Issuance Proceeds**	**Total Funds Available for Non-Housing Projects**[f]
Fund Balance through FY 2003/04									$1,500,000
FY 2004/05	$3,601,000	$229,000	$264,000	$0	$3,208,000	($100,000)	$100,000	$0	$0
FY 2005/06	$3,704,000	$239,000	$269,000	$0	$3,296,000	($100,000)	$100,000	$0	$0
FY 2006/07	$3,811,000	$249,000	$0	$0	$3,662,000	($100,000)	$100,000	$0	$0
FY 2007/08	$3,920,000	$256,000	$0	$0	$3,764,000	($100,000)	$100,000	$0	$0
FY 2008/09	$5,974,000	$265,000	$0	$0	$5,809,000	($100,000)	$100,000	$0	$0
Total	$21,010,000	$1,238,000	$533,000	$0	$19,739,000	($500,000)	$500,000	$0	$1,500,000

a. Figures equal the amount remitted to the Agency, which includes the gross tax increment revenues and supplemental AV revenue (80% portion) less County admin fee. Projection assumes increased assessed values from Town Center Mall redevelopment. During the five year Plan period, tax increment generated from the mall will be used to repay debt obligations to the City.

b. This figure only includes Agency admin costs since the Agency currently has no pass through payments.

c. Based on California Redevelopment Association estimated FY 2004/05 ERAF Redevelopment Agency deposit. Estimates for FY 2005/06 are currently not published, but are assumed to be 2% greater than the prior year.

d. Includes pre-1986 debt obligations to Central Core Redevelopment Project Tax Allocation Refunding Bonds, 1998 Parking Facility, Series A, Certificates of Participation; and City General Fund.

e. Estimated interest income.

f. Figures equal the sum of net tax increment, other agency income and net debt issuance proceeds. Opening fund balance represents non-tax increment generated amounts reserved for capital projects.

Source: Sunnyvale Redevelopment Agency, Seifel Consulting Inc.

3. Other Agency Income

The Agency receives additional revenues from interest income. Approximately $500,000 in other Agency income is projected during the five year implementation plan period.

4. Non-Agency Financial Resources

Wherever possible, the Agency has been and will continue to leverage other funds in connection with its redevelopment efforts. The Agency has targeted local, state and federal funding sources to assist in financing eligible projects. As permitted by law, possible funding sources include government grants and assistance programs, as well as private sector sources.

To a limited extent, the City's development impact fees generated from new development will be a source of public infrastructure and facilities funding when feasible. The Agency will also pursue funds from federal programs including CDBG and HOME Funds, in addition to state and county funds.

D. Five-Year Implementation Plan Expenditures

1. Proposed Program Expenditures – Five-Year Period

The Agency has developed programs to implement its goals and objectives for the current five year implementation plan period as described in Section A above. The Agency has identified over $22 million in estimated costs of the FY 2004/05 through FY 2008/09 program of non-housing activities, as summarized in Table II-3.

The non-housing program costs over the five-year implementation period exceeds the estimated Agency resources for non-housing activities due to the fact that most all of the Agency's financial resources are dedicated to repayment of pre-1986 debt obligations. Thus, the Agency will need to defer some programs or leverage other funding sources in order to undertake its non-housing programs and activities over the next five years.

2. Proposed Programs and Expenditures – Project Life

It is possible that some program activities proposed by the Agency for this implementation plan period may not necessarily occur as planned in the five-year period or may not occur at all. It is also possible that other programs not listed in this Implementation Plan may instead be pursued. Further, some of the activities to be undertaken beyond the five-year planning period of this Implementation Plan may actually take place within the five-year planning period if development needs or opportunities warrant undertaking the activities.

The projects, activities and expenditures contained in this Implementation Plan are in part based on certain assumptions made by the Agency relating to revenues, ERAF payments, market conditions, community needs and priorities, and resident and developer interest. Consequently, should Agency assumptions not be realized or unforeseen circumstances arise, further mid-course modifications in programs and this Implementation Plan may be required.

Table II-3
Projected Five Year Non-Housing Redevelopment Program Expenditures
FY 2004/05 - FY 2008/09
(Rounded to nearest $1,000)

Non-Housing Program Category and Project Description	Proposed Agency Expenditures FY 2004/05 - FY 2008/09[a]
Financial and Administrative Activities to Meet Existing Obligations	
Make payments on the Tax Allocation Bonds.	2,960,000
Reimburse the City for the City's payment of debt service on parking garage Certificates of Participation.	6,057,000
Make payments toward the Agency's other pre-1986 debt obligations, particularly the 1977 City Loan.	10,722,000
Establish the Downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.	
Finalize negotiations and enter into a DDOPA with the selected developer for the Town Center Mall to provide a new pedestrian-oriented, mixed use, open-air mall including affordable housing, replacement and additional parking and a multiple screen theater.	N/A
Help implement the Downtown Specific Plan objectives.	N/A
Implement Specific Actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.	
Traffic mitigation measures within and surrounding the proposed Town Center Mall redevelopment.	N/A
Enhance pedestrian connections and public plazas and parks, including a main plaza in the north of Washington area.	N/A
Reestablish and reconnect McKinley and Murphy Avenues to allow vehicle and pedestrian traffic through the new Town Center development.	N/A
Miscellaneous street improvements, including special sidewalk paving, lighting fixtures, benches, landscaping, landmarks, gateways and wayfinding system.	$1,562,000
Signage program.	N/A
Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.	
Town Center parking structure demolition.	$800,000
Increase housing opportunities.	
Maintain the character and density of single family neighborhoods surrounding the downtown.	N/A
Encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment and transit corridors in or near downtown.	N/A

a. These listed expenditures do not represent the complete funding needed for each of these projects. Because the Agency uses most of its financial resources to repay existing debt obligations, the Agency will seek to leverage its resources with additional funding opportunities including any non-tax increment generated revenue, local, state and federal grants and assistance programs, as well as private sector sources. The City may also choose to advance additional funds on behalf of the Agency for some of these activities.

Source: City of Sunnyvale.

III. Housing Component

This chapter comprises the housing component of the Implementation Plan, summarizing the Agency's housing obligations pursuant to the legal requirements of the CRL. Redevelopment agencies are expressly required to undertake activities that will assist in "increasing, improving, and preserving the community's supply of low and moderate income housing." However, for reasons described below, the Agency is not statutorily required, and will not have revenues available, to actively participate in a program of affordable housing provision over the five-year Implementation Plan period.

This chapter is organized as follows:

- Section A presents an overview of the Agency's affordable housing responsibilities.
- Section B discusses funding for affordable housing activities and describes the history, current status, and projected deficits in deposits to the Housing Fund that the Agency will incur over the Implementation Plan period.
- Section C addresses the statutory requirement for a Housing Production Plan.
- Section D addresses the statutory requirement for a Replacement Housing Plan.

A. Overview of CRL Affordable Housing Requirements

The housing portion of the Implementation Plan is required to set forth specific goals and objectives for the five year Implementation Plan period (FY 2004/05 through FY 2008/09), present estimates of specific Housing Fund deposits, projects and expenditures planned for the five year implementation period, and explain how the stated goals, objectives, deposits, programs, projects and expenditures will produce affordable housing units to meet these obligations. The CRL requires an implementation plan to include the following affordable housing planning components:

- Amount available in the Housing Fund, estimates of annual deposits into the Housing Fund during the five year Implementation Plan period, and the Agency's plans for using the annual deposits to the Housing Fund.
- The Housing Production Plan, which includes the total number of housing units to be produced and the number of affordable housing units to be produced for three different time periods:
  - For the five year period (FY 2004/05 through FY 2008/09)
  - For the ten year compliance period (FY 2004/05 through FY 2013/2014), and
  - For the life of the Redevelopment Plan (through FY 2025/26).
- If a planned project will result in the destruction of existing affordable housing, identification of proposed locations for replacement housing that the Agency would be required to produce.

For the reasons specified below, only the Housing Fund requirement is applicable to the Agency in its administration of the Redevelopment Plan for the Project Area.

B. Housing Fund Status and Deficit Reduction Plan

The CRL requires an agency to set aside in a separate Low and Moderate Income Housing Fund (the Housing Fund) at least 20 percent of all tax increment revenue generated from its project areas. The funds must be used for the purpose of increasing, improving and preserving the community's supply of affordable housing. Such housing must be available at affordable housing cost and occupied by households of very low, low or moderate income. (Sections 33334.2 and 33334.3)

The Agency first became subject to this Housing Fund deposit requirement in 1986, when the CRL was revised to require agencies administering redevelopment project areas adopted prior to 1976, such as this Project Area, to make such deposits to the extent that the Agency had sufficient funds available to make these deposits. Through FY 1993/94, the Agency made a finding authorized by the CRL that exempted it from the Housing Fund deposit requirement due to its pre-1986 debt obligations. This exemption under the CRL was no longer available after 1994. Instead, starting in FY 1994/95 the Agency has deferred making deposits into its Housing Fund and is accumulating a deficit obligation because no tax increment revenue remains after the Agency has paid obligations on debts entered into before 1986 (consisting of the debt on the Tax Allocation Bonds, the Certificates of Participation, and the amounts owed on the 1977 City Loan).

The Agency is not projected to have tax increment revenue remaining after paying its pre-1986 debt obligations with which to make a deposit to the Housing Fund throughout the Implementation Plan period. The Agency has already made the CRL-required finding to this effect for FY 2004/05, and expects this to continue for each remaining fiscal year of the Implementation Plan period. As a result, the Agency expects to create a deficit in its Housing Fund deposits of about $9.7 million by the end of this Implementation Plan period, as indicated in Table III-1.

Because it does not anticipate any Housing Fund deposits and because it does not have any other direct sources of funding for affordable housing activities, the Agency does not expect to produce any new, rehabilitated, or price-restricted affordable housing units during any of the five years of the Implementation Plan period. However, the City will continue to undertake an active affordable housing assistance program, including rehabilitation of rental and ownership housing and new construction of family housing. Additionally the City will continue to utilize its Below Market Rate Program and undertake affordable housing and support service activities.

In June 1994, the Agency first adopted its Housing Fund deficit reduction plan as required by Health and Safety Code Section 33334.6(g) and later modified the plan as permitted by the CRL. The deficit reduction plan calls for the Agency to reduce its Housing Fund deficit by making extra deposits into the Housing Fund in future years after the following three payments have been made:

1. full repayment of all amounts owed on pre-1986 debt,
2. deposits of 20 percent of current year tax increment revenue into the Housing Fund, and
3. payments to reduce debt incurred in the future for new redevelopment activities.

If full build-out of the Specific Plan occurs over the next twenty years, it is projected that the Agency still would not be able to eliminate the Housing Fund deficit with tax increment revenue from the Project Area before the normal expiration of the Redevelopment Plan in 2025. In that case, the Agency will avail itself of the specific provisions of the CRL that require the City and the Agency to extend the duration of the Redevelopment Plan and/or the amount of tax increment revenue that can be received under the terms of the Redevelopment Plan to the extent necessary to eliminate any remaining Housing Fund deficit (see Health and Safety Code Sections 33333.4(a) and 33333.6(g)).

In connection with preparation of its future annual budgets and any corresponding finding regarding deferral of deposits into the Housing Fund, the Agency will monitor and adjust its Housing Fund deficit reduction plan to reflect changing financial conditions.

Table III-1
Estimated Housing Fund Deficit
FY2004/05 through FY 2008/09

Fiscal Year	20% of Gross Tax Increment Revenue	Estimated Deposit to Housing Fund	Deficit in Housing Fund Deposits
Accumulated Deficit through FY 03-04			($5,492,000)
2004-05	$728,000	$0	($728,000)
2005-06	$748,000	$0	($748,000)
2006-07	$770,000	$0	($770,000)
2007-08	$792,000	$0	($792,000)
2008-09	$1,207,000	$0	($1,207,000)
TOTAL	$4,245,000	$0	($9,737,000)

Source: Sunnyvale Redevelopment Agency, Seifel Consulting Inc.

C. Affordable Housing Production Requirement

Redevelopment agencies administering project areas created by redevelopment plans adopted on or after January 1, 1976 and territory added to project areas by amendments adopted on or after January 1, 1976 must meet an affordable housing production requirement. Since the Project Area was established in 1975, this requirement does not apply to the Agency and no production plan is required (Section 33413(d)(1)).

D. Replacement Housing Requirement

In general, when residential units housing low and moderate income persons are destroyed or taken out of the low-and moderate-income market as part of a redevelopment project, a redevelopment agency must replace those units within a specified time in accordance with a plan adopted by the Agency following public review.

The replacement housing requirement applies to project areas established by redevelopment plans (or areas added by amendments) adopted on or after January 1, 1976. For redevelopment agencies that are administering project areas established prior to 1976, the replacement housing obligation will become applicable only with respect to dwelling units removed from the housing stock as a result of redevelopment activities on or after January l, 1996.

The Agency has incurred no replacement housing obligation under the CRL to date. The Agency has no plans to remove housing from the Project Area as part of a redevelopment project and is not anticipated to incur a replacement housing obligation during the five-year Implementation Plan period. However, if the Agency were to incur a replacement housing obligation, the Agency will meet all CRL requirements including the preparation of a specific replacement housing plan prior to removal of such units.